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SUBJECT: SERBIA AND ELECTRICITY: KEEPING NORTH OF KOSOVO IN THE DARK

REF: STATE 114029; PRISTINA 482

SUMMARY

1. (SBU) In response to demarche points on electricity in Kosovo (ref A), Serbia will continue discussing a future energy services company (ESCO) for the north of Kosovo, but is not inclined to permit KEK to provide power to the north while talks are ongoing. Serbia is determined to leverage the power crisis to get concessions in ESCO negotiations and is willing to accept international ramifications in the process. End Summary.

Kosovo Ministry-Talks Continue but no Power

2. (SBU) Serbia's Kosovo Minister Goran Bogdanovic told Charge on November 6 that Serbia would keep the dialogue open regarding the creation of an energy services company (ESCO), even suggesting that the sides were "heading in the right direction." He agreed that the continued nonpayment of electricity in the north of Kosovo was unacceptable to all sides. Bogdanovic, however, was noncommittal about delinking ESCO talks from the issue of allowing KEK to restore power to the north, and laid the blame for the cutoff solely with KEK, whom he said had been "obstructing cooperation for the past year." The Charge clearly stated that we would hold the GoS accountable for any electricity shortages or problems as a result. Bogdanovic appeared stunned for a moment and then stated he would accept that responsibility.

Energy Ministry-Return of Power Technically Feasible

3. (SBU) The demarche was also delivered to Energy Ministry State Secretary Nikola Rajakovic, who admitted that there was no technical reason why power from KEK could not immediately be restored in the north of Kosovo. While he acknowledged that the creation of an ESCO was a good idea in principle, he pushed Serbia's position: any ESCO would need to have a "two directional" relationship with KEK, would need to serve as an electricity supplier as well as a bill collector and servicer and the collected revenues would go to the ESCO and not KEK (effectively a separate electricity provider for the north of Kosovo). He agreed, however, that such an ESCO would be registered in Pristina. Rajakovic said having multiple energy suppliers was "in line with future EU policy harmonization," while admitting that Serbia itself had no immediate plans to open up its energy market to a second supplier. Rajakovic, like Bogdanovic, remained noncommittal about delinking the conclusion of talks on an energy services company from the restoration of power. Rajakovic said EPS technically could meet most of the demand in the north, particularly with a few more modifications and a slight reduction of demand (which could happen once bill collection starts).

Comment

4. (SBU) Despite our insistence that the current electricity cutoff

in northern Kosovo was for technical reasons when the Velac substation refused to follow KEK orders, both ministries in Belgrade were adamant that the cutoff was instigated - if not caused - by KEK, who the GoS insisted had been threatening cutting off the north for nonpayment well before October 19. As a result, the GoS is currently unwilling to accommodate a reconnection that would again provide KEK with control of power to the north without further concessions to the GoS position of how an ESCO would function. The GoS is more than willing to exploit this cutoff as a leverage to get an ESCO that is more in line with Belgrade's goals. For the time being, the GoS is willing to accept the international consequences of that action. Once again the GoS shows that it is willing to use the livelihood and well being of Kosovo Serbs as pawns in its Kosovo policy. End Comment.  
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